# President's News Conference on Foreign and Domestic Issues

Following is a transcript of President Reagan's news conference last night Washington, as recorded by The New York Times:

#### OPENING STATEMENT

Good evening, please be seated. I have an opening statement.

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I have a compared to the world and series of a strictles which have a contracts a state of the world and so repaired to the conscience of the world store and the state sile sequently with the terrorist known as Abu Nidal and his organization. The number of his victims increased by 19 among them strictles in strictles in 19 among them strictles in 1

of the control of the

#### **QUESTIONS AND ANSWERS**

## **Medicare Payment**

Medicare Payment

Q. Thank you Mr. President, that's
Ser I want to call your attention to a
real problem that we've got in this
country today. The hospitals and the
doctors are sending the elderly sick
home too soon before they're really
doctors are sending the elderly sick
home too soon before they're really
doctors are sending the elderly sick
home too soon before they're really
sending the sending the they're to the
ment of the thing. This all seems to be
based on the Medicare payment for
mula, and I know that there's a fear
across the land from Gramm-Rudment may be reduced further. I wonder if you can't have your experts
ment may be reduced further. I wonder if you can't have your experts
ment may be reduced further. I wonder if you can't have your experts
make a solution to this.
A. We have been — Gecicion has
this entire program. Things that can
be done and should be done and also
the possibility we're looking at at so
whether we can't find comething to
tried to do this when I was Governor
in California, and I couldn't get any
public interest in it at all. I guess
everyone has a feeling it will get
it in a to what we can do with regard
to some of the problems that have
arisen because, as you know, the program has expanded in cost greatlygram has expanded in cost greatlygram has expanded in cost greatlygram has expanded in cost greatlyabout the fact this increase in inflation. So
I promise you we're looking at it.
Q. Sir, has anyone ever though
about the fact this increase in inflation. So
I promise you we're looking for answer.

Attifude of Allies

## Attitude of Allies

Attitude of Allies

A. Mike?

Q. Mr. President, you said in your opening statement that there is include evidence that Col. Quddin frequisition of the control of the contr

praise them as heroic undertakings. And then very shortly — along about the time that the Coral Sea was leave the time that the Coral Sea was leave because its leave time there was up, but he suddenly decided that no, he was distressed by these acts of terrorism. I think he was speaking more honesty the first time.

Q. I could follow up for a moment do you say that you could prove that the country of the cou

#### Palestinian Rights

Parestinian Rights
Q. For some 40 years American
Presidents have been confronted directly with the Middle East problem.
You and your predecessors have
often spoken of the legitimate rights
of the Palestinian. My question, Mr.
President, is how do the Palestinians
attain these rights? How do they rid
strain these rights? How do they rid
Should they emulate the U.S.-backed
freedom fighters in Afghanistan, the
Contras in Nicaragua, or is there a
peaceful way? And I'd like to follow
up.
A. Well the peaceful was the second of the s

contras in Nicaragua, or is there a peaceful way? And I'd like to follow up.

A. Well the peaceful way? Is to follow up.

A. Well the peaceful way? Is the follow up.

A. Well the peaceful way? Is the follow up.

A. Well the peaceful way? Is the first on the feet of peace to revoce the feet of the feet of peace to the feet of the feet of peace to the feet of the feet of the feet of the peaceful way and the problem of the placetimans must also like to point out that the Palestimans—witually every Arab country has thousands and thousands and thousands of Palestimans—in fact, in some of them thousands of peaceful way the feet of countries. And in many of these countries they are not made citizens of those countries. They re allowed to the privileges that a citizen of the country would have and there has to be a solution particularly, and we're many the feet of t

## Libya AT A GLANCE



of the Palestinians or will the United States continue to give Israel the veto power over any Palestinian negotiation. A. No and I don't think that they asked for that. Theirs is — and I would say this of any other country that they're working with — that you can't ask them to negotiate with someone who's sitting on the opposite of the country that they're working with — that you can't ask them to negotiate with someone who's sitting on the opposite of the country of

#### Where Is Retribution?

Where Is Retribution?

Q. Mr. President, you have said that your policy toward terrorists is swift and effective retribution. And active and many services are sufficiently and the said that you can't hide. "But isn't this one more case where there is no retribution and where the people behind the terorism have in effect been able to hideationed the people behind the terrorism. I'd like to polor the people when the people behind the terrorism. I'd like to polor the people with the people when the people when the people when the people when the people with the people when the people with the people when the people when the people when the people with the people when the people with the people when the people with the people wi

tacks.

Now we've made every effort to try and establish well, who? Who brought these people there? They certainly can't be questioned. How did they get there? Now we've had two more re-

cent attacks but in these two attacks the perpetrators are either dead, killed on the scene, or they're wounded and in hospitals under arrest. But again, here is a better opportunity of the second o

say, abort that many terrorist mis-sions. The President, if I may follow up—what you seem to be saying in this on the source, going after Abu Nidal on the source, going after Abu Nidal or going after the Libyan training camps, it's basically going to be next time for a military strike. And I won-der, given your criteria, which are that there has to be a direct link be-iveen the terrorists and the target and that no innocent civiliats can be

hit, why should Muammar el-Qaddafi or Abu Nidal believe you? Abu Nidal believe you? White the should be beyond the actions we've taken here. I'm not oning to make any comment as to whether we have other actions in mind or what might be done. I think that Mr. Qaddaff would be very happy if I did answer such a question, but I'm not interested in making him happy.

#### Missions in U.S.

Q. Mr. President, were any of these terrorist missions that you say the United States aborted in the United States?

A.1'm not going to comment on that or their location or anything further onit. I'm just going to assure you that we have the intelligence that led us to be able to do that. They weren't all in the United States or I don't know how many—I haven't got the count before me right now.

#### Lie-Detector Tests

Lie-Detector Lests

Q. Mr. President, you signed a directive which would have required a great number of Government employees to take lie-detector tests for security purposes, but when Secro-changed your mind and cut back on the secro-changed your mind and the secro-changed your mind and the secro-changed your mind?

A. If there was an aide that said

A. It there was an aide that said anything of that kind he wasn't an side. (Covered by laughter).

A. No, when Secretary Shiltz came back he had been accosted by the press in Europe and they were leading to believe that I had okayed virtually care backed to be the word of the secretary shilts of the secretary shilts of the secretary shilts of the secretary would be tests based on their personallities or their own personal lives and so forth. None of this was true. And the document I signed was not changed nor when the Secretary and I had a chance to talk when he came back to point out that what I had signed was a directive that was creating an investigative point that—I saked for and was proposing that we come to getter on a policy for heading off espionage. And therefore, out of the housands and thousands of employentarial or could possibly be involved in this. And I recommended, among other things, that this be included as againess, and it would be limited to what we were trying to find out—espionage and whether to head it off or not. So whoever was telling that—of the second of the second

nars what I signed and that's what's still signed.

Q. Mr. Shultz made the point that he doesn't believe detector tests are accurate and often they catch people who are not guilty and even let people with the signed that they are accurate.

A. I think that it's a useful tool. I know that he does not have too high an opinion of them and I think that he was thinking also if you're going to hear they are accurate.

A. I think that it's a useful tool. I know that he does not have too high an opinion of them and I think that he was thinking also if you're going to people and the signed that they are the signed to the signed that they have been responsible for more confessionable that the very nature of the test has led to a multitude of confessions of various crimes and so forth.

Bill?

#### **European Sanctions**

European Sanctions

Q. Mr. President, the last time you asked the Europeans to take any sorts which my sound the second t

tion we can get.

Q. Well, sir, if they can't do it, it severely curtails the effect of your sanctions. Doesn't it frustrate you?

A. It may be frustrating, but we're going to go on with what we think has to be done.

#### Seriousness of Threat

Seriousness of Threat

Q. Mr. President, how seriously do
you take the threat of Mr. Qaddaff,
that if there is some indication of Israell or American military retailation that Washington, D.C., will become a target for hit squads?
A. Well, I wish he was planning to
do that himself, I'd be happy to weltake seriously a man that has proven
that he is as irrational as he is in
things of this kind? I find he's not only
a barbarian but he's flaky.

#### Taxes vs. Fund Cuts

Taxes vs. Fund Cuts

A Graid?

O I have a domestic policy question, Mr. President. You seem to be one of the few people in your Admiliptation who seems to believe that you could have a 3 percent real growth interesting and still satisfy the Gramm-Rudman balanced budget amendment. If you are for your still you were that you want to raise takes to meet the bill?

A. Well, the '37 budget, as you know, in the budget resolution that, was passed by the Congress itself, it concerns the properties of the congress itself, it of the congress itself, it of the congress itself, it defenses pending and this is what we're incorporating in our '37 budget, as that we'll be coming forth with pretty soon.

O, But a lot of people say you have

O, But a lot of people say you have to raise taxes eventually. Even though you said in 1982 that you wouldn't raise taxes and then you did, and you have said over the years that you wouldn't reduce Social Security benefits and you later changed your mind on that —.

taken it out.

'Getting Rid of Ornaments'
Q. Would you have a tax increase under all circumstances?
A. Now the tax increase, let me just say here, the one that you mentioned, yes, I got burned because I agreed to

Continued on Following Page

# Executive Order for Sanctions Against Libya

Special to The New York Times

WASHINGTON, Jan. 7 — Following is the
text of President Reagan's Executive Order
issued today prohibiting trade with Libya:

## **Executive Order**

#### **Prohibiting Trade and Certain** Transactions Involving Libya

By the authority vested in me as President by the Constitution and laws of the United States of America, including the International Emergency Economic Powers Act (60 U.S.C. 1701 et seq.), the National Emergencies Act (60 U.S.C. 1701 et seq.), the National Emergencies Act (60 U.S.C. 1701 et seq.), the National Emergencies Act (60 U.S.C. 1701 et seq.), the National Emergencies (Coperational Security and Development Cooperational Security and Development Cooperation Act of 1985 (Public Law 98-83), section 1114 of the Federal Availan Act of 1868, as amended (60 U.S.C. 1314), and section 301 of title 3 of the United States Code,

Omicu States Code,

I, RONALO REAGAN, President of the United
States of America, find that the policies and actions of the Government of Libya constitute an
unusual and extraordinary threat to the nations of the Covernment of the Covernment of the
States and bereby declare a national emersency to deal with that threat.

Thereby order:

I hereby order:

Section I. The following are prohibited, except to the extent provided in regulations which may hereafter be issued pursuant to this order:

(a) The import into the United States of any goods or services of Libbyan ording, other than publications and materials imported for news publications or news broadcast dissemination;

(b) The export to Libbya of any goods, technology.

nology (including technical data or other infor-mation) or services from the United States, ex-cept publications and donations of articles in-tended to relieve human suffering, such as food, clothing, medicine and medical supplies in-tended strictly for medical purposes;

States person' means any United States citizen, permanent resident allen, juridical person or-ganized under the laws of the United States or any person in the United States.

mation) or services from the United States, except publications and donations of articles in captured to the content of the United States or support of the United States or support of the provision of transportation to re from the United States person or any examination of transportation to re from the United States by any Libyap represent or any examination of transportation to refrom the United States by any Libyap represent or any examination of the States person of goods for export from Libya to any country;

(a) The purchase by any United States person of goods for export from Libya to any country;

(b) The performance by any United States person of goods for export from Libya to any country;

(c) The performance by any United States person of goods for export from Libya to any Country;

(d) The part or extension of credits or loans by any United States person or any contract in support of industrial Libya;

(d) The part and or extension of a credits or loans by any United States person or any contract in support of industrial Libya;

(e) The performance by any United States person or the Covernment of Libya, its instrumentalities and controlled entities;

(f) The grant or extension of credits or loans by any United States person or the Covernment of Libya, its instrumentalities and controlled entitles by any such person within Libya, after the date of this Order, other than transactions necessary to effect such persons departure from controlled entitles by any such person within Libya, after the date of this Order, other than transactions necessary to effect such persons departure from controlled entities by any such person within Libya, after the date of this Order, other than transactions necessary to effect such persons departure from controlled entitles by any such person within Libya, after the date of this Order, other than transactions necessary to effect such person of departure from controlled entitles by any such person w

Approved For Release 2010/09/13 : CIA-RDP90-00552R000505370022-9

# Libya Trade Was Low Before Ban

v. By BARNABY J. FEDER

"New restrictions on trade with Libya amounced, last night by President Reagan are expected that have little economic impact on either country.

Failing oil prices, which have forced Libya to reduce spending on the reduced restrictions have left that nunced the security or spending have left that the security or spending have left that the security of the sec

Officials of American companies affected by the Reagan order could not be immediately reached for comment.

Before the announcement, the Occidental Petroleum Corporation that the companies of t

plied with all Federal regulations involving its dealings with the Qaddaff Government.

In 1970 Octodental's chairman, Dr. Armand Hammer, became the first oil industry leader to negotive the property of the Control of the Control of the Control of the Organization of Petroleum Exporting Countries.

Occidental and other multinational oil companies are the only American businesses with substantial investments in Libya, although several engineering companies have been consultants on major construction projects and numer.

have been consultants on major construction projects and numer-ous other companies supply Libya with various types of equipment. All contend that they pulled Amer-ican employees out of the country, after restrictions on travel to Libya were infroduced by the Reagan Ad-ministration in 1981.

were introduced by the Reagan Administration in 1981.

The State Department, which state the state of the sta

with foreign nationals in dealing with the Libyans, and even those employees are usually based outside the country if possible. For in stance, Foster Wheeler, an engineering concern based in Libyang and the control of the control o

Major U.S. Companies in Libya Zuetina (Occidental Petroleum Corp.) (Oasis Group, a consortium including Amerada Hess Corp., Conoco Inc. and Marathon Oil Company) Marsa el Brega EGYPT Sarir (Brown & Root Inc. and Price Brothers Company on Company, engineers and consultants for water project)

The New York Times/Jan. 6, 1998. The Old Ind W. R. Grace remains. Some companies, such as the Mobil Oil Corporation, have outstanding legal claims against Libya involving payment for their interests when they withdrew in response to tax and operations claimed, made operations unproof table and violated their licensing agreements.

Of the American companies in outside their claims of the American companies in all their companies of the companies of the company said.

# Reagan Insists Cuts Can Cure Deficit but Doesn't Bar Tax Rise By DAVID E. ROSENBAUM Special to the New Year Times WASHINGTON, Jan. 7 - President Reagan insisted tonight that the Federal Rose in Ros

# Reagan News Conference: Policy on Developments in Mideast

Continued From Preceding Page

2d Summit Meeting
Q, Mr. President, are you now looking forward to a second summit with
Mr. Gorbachev in September or the
fall perhaps rather than in June? And
what has led to that slippage?
I.A. Well, I don't know. Someone on
their side has suggested later in the
fall. We thought that June would be a
waiting and saying that it's got to be a
year between visits. In fact, the last
words of the Secretary General to me
when we said goodbys were that un-

continued From Preceding Page
a just increases that in reality was actually getting rid of some of the
Christmas tree ornaments that were
not go the original tax program, our

should keep in fouch and not just wait until there was another meeting, but there.

And I said to him, I proposed that timight be in late June, in the summer, and he nodded his approval of that when he accepted my invitation, that it should be at another time, but there hasn't been a date set and they haven't, other than the suggestion, that it should be at another time, but there hasn't been a date set and they haven't, other than the suggestion, they haven it given us any reason why they think that later in the fall would be a summer to be the sound of the summer than the suggestion, they haven it given us any reason why they think that later in the fall would be suffered to be supported by the solid to be suffered to be suffered to have been taking about such things as Rambo movies and kocky movies, which cast the Soviet Union, the other day, the Soviet officials were complaining about such things as Rambo movies and kocky movies, which cast the Soviet Union, the other day, the Soviet officials were complaining about such things as Rambo movies and kocky movies, which cast the Soviet Union, the other day, the solid the solid things as Rambo movies and kocky movies, which cast the Soviet Union, the other day, the solid the solid things as Rambo movies and knowledge to the solid the solid things as the solid that the solid the solid things as the solid that the solid thing and the solid things as Rambo movies and knowledge the solid things as the solid that the solid thing about this remaining made these days?

Also I was taking to my friends in Hollywood about the kind of movies the solid that the proposed to the terrorists. I would be solid the solid things as the solid that the solid thing and the solid thing as the solid that the solid thing and the solid thing and the solid thing as the solid thing a Russians and Libya

W.M. President. In connection
with your next meeting with General
response to the terrorist activity that
response to the terrorist activity that
response to the terrorist activity that
you have been talking about this
evening, made some very defensive
statement of Libya and of Qaddaff,
and as you know they supply Libya,
defensive the second of the
training, some of which may then be
requipment and possibly some of the
training, some of which may then be
passed on to the terrorists. I would
lake to know when you sit down and
lake to General Secretary Gorbache
him before your next meeting, do you
infend to bring this up and suggest to
him that they could be more forthcoming in areas outside of your direct
talks and make the climate better?
A. Yes, this was very definitely one

tolking in the so distate of yout call as and make the climate of your call as and make the climate of the of your conversations of the or conversations of the or conversations of the or conversations, about why we had a suspicion of them and it was, it was incorporated in a subject that I had brought, in which I said it was obvious that both of us suspected the other—distrusted the other—distrusted the other and that it was going to take more than words but take deed from so to eliminate the dadle given with the business of reducing arms and so forth instead of looking at each other as antagonists all the time.

Q. Do you consider, sir, directly communicating with Gorbachev about this recent incident and about possibly using his leverage with Qaddil?

A. I — again you're getting around to details that I don't want to get into.

## Americans in Libya

Americans in Libya

Q. Mr. President, would your response to the terrorist incident have been different if there were not more than a thousand Americans still in Libya?

Libya?

Libya?

Libya?

Libya?

Libya y bolivalsy they have to be consideration As you will recall, the first time that we took some economic actions there were roughly \$0.00 Americans in Libya. And we asked—did not order and did not dependent of the consideration of the consider

## Qaddafi's Mind

Q. If I may follow up? You said earlier that you thought Mr. Qaddafi was flaky. Do you seriously think that he might be emotionally or mentally unbalanced?

ue ...mgs ue emotipnally or mentally unbalanced?

A. Oh no, I wo it — I use that in the term we use in conversation with term we use in conversation with the state of the sta

### Risk of Travel

NISK Of ITAVE!

Q. Mr. President, how safe or how risky do you think it is for Americans who travel to Europe these days? And are you satisfied that our allies have redoubled their efforts for airport security as you asked them to do laise.

A. I think there's been great improvement in airport security, any det when you have suckide attacks, as we did in the Rome and Vienna airports, you have to ask yourself what ports, you have to ask yourself what have to feel that — well, as a matter

of fact, in recent travels over the holi-days, I can't tell you how many peo-ple of the type that could be expected to be taking European trips or world trips, how many of them went out of the way to tell me that they would plan no such trips under the present situation.

#### New Farm Chief

New Farm Chief

Q. Mr. President, will you be looking for a working farmer to replace for a working farmer to replace for the property of the

A. Oh, all right. Well, thank you all very much. Good night.
Q. Mr. President, we'd like to do this again next month. Sarah will be here.

## Why Reagan Shuns Force

Trade Down Sharply

# President Breaks Off All U.S. Economic Relations With the Libyan Government

Approved For Release 2010/09/13: CIA-RDP90-00552R000505370022-9

Continued From Page 1

Friends in Western Europe and elsewhere to join with us in isolating him.

In a letter to the Speaker of the House, Thomas P. O'Neill Jr., in connection with his executive order, Mr. Reagan said, "I hereby report that I have exercises datatutory authority to declare a national emergency."

In the letter to Mr. O'Neill, a Masse-chusetts Democrat, the President said bees economic activities were being prohibited:

"Americans to or in Libya, "other than probable of these commercial activities permitted until Feb. I, 1986, or those necessary prohibited:

"Americans to or in Libya," of the the thorican Libya and the nerves of proportion and imports from and system and advantion relations be updated legislated that the Library of the Library of the Library of the Commercial activities permitted until Feb. I, 1986, or those necessary prohibited:

"Tougher, more compreheasing the prosting that the policies and buyan community," he added. "Tougher, more outpreheasing the proposal of the second of the Covernment of Library of the Committee of the Rome and Vietna attachment of the Covernment of Library of the Unit States."

"Qadaffi called them heroic activities," said for Reagan, "I call them heroic activities," and the read of the Rome and the community of the Rome and the notions about an increase as a last resort.

In his remarks on Libya at the news of the

been sufficient."

"Tougher, more comprehensive measures are required by the international control of the international control of the contro